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CLAUDIO ESKENAZI

PERU'S ECONOMIC WOES

ANNCR:

PERU'S CURRENT LABOR UNREST HIGHLIGHTS ONCE AGAIN THAT COUNTRY'S SERIOUS ECONOMIC PROBLEMS....AS WE HEAR IN THIS BACK-GROUND REPORT BY VOA'S CLAUDIO ESKENAZI.

NARR:

PERU IS ONE OF OVER SEVENTY DEVELOPING NATIONS, HARD HIT BY THE INTERNATIONAL RECESSION, THAT HAVE BORROWED THOUSANDS OF MILLIONS OF DOLLARS IN THE PAST SEVERAL YEARS FROM PRIVATE BANKS AND INTERNATIONAL LENDING INSTITUTIONS. NOW PERU FINDS ITSELF UNABLE TO MEET ITS ESCALATING DEBT AND HAS RESORTED TO AUSTERITY MEASURES AT HOME TO REDUCE DEFICITS AND RESTORE INVESTORS' CONFIDENCE. THIS IN TURN HAS TRIGGERED VIOLENT PROTESTS THROUGHOU PERU AND A TWO-DAY GENERAL STRIKE THAT VIRTUALLY PARALYZED THE COUNTRY.

BUT AS RECENTLY AS FOUR YEARS AGO PUERU'S ECONOMIC PROSPECTS WERE HIGHLY ENCOURAGING. NEWLY DISCOVERED OILFIELDS IN THE AMAZON REGION HELD A PROMISE OF LARGE RESERVES, AND THE PRICE OF COPPER -- PERU'S MAJOR EXPORT -- WAS SOARING IN THE INTER-NATIONAL MARKETS. PRIVATE BANK LOANS WERE PLENTIFUL AND READILY AVAILABLE.

BUT THAT ROSY SITUATION CHANGED. PERU'S PROJECTED OIL RESERVES HAVE PROVEN TO BE GREATLY OVERESTIMATED. THE PRICES OF COPPER AND SUGAR -- ANOTHER MAJOR EXPORT -- HAVE FALLEN SHARPLY. AND ANCHOVIES, WHOSE OFFSHORE ABUNDANCE ONCE PROVIDED THE MAIN SOURCE OF PERU'S INCOME FROM FISHMEAL, HAVE MYSTERIOUSLY DISAPPEARED.

PERU'S MOUNTING DEBT BURDEN CALLS FOR PAYMENT OF NEARLY ONE

PERU'S MOUNTING DEBT BURDEN CALLS FOR PAYMENT OF NEARLY ONE THOUSAND MILLION DOLLARS IN PRINCIPAL AND INTEREST THIS YEAR ALONE. WHILE EXPORTS ARE NOT EXPECTED TO GO MUCH BEYOND ONE POINT SIX THOUSAND MILLION DOLLARS, A RECENT DROUGH IN PERU'S AGRICULTURAL REGIONS WILL PROBABLY INCREASE THIS YEAR'S FOOD IMPORTS. PERU'S TOTAL FOREIGN DEBT IS NOW FIVE AND A HALF THOUSAND MILLION DOLLARS. THAT SUM INCLUDES ABOUT EIGHT HUNDRED MILLION DOLLARS IN DEBTS FOR ARMS PURCHASE FROM THE SOVIET UNION. REPAYMENT OF THE SOVIET LOANS WAS RESCHEDULED AFTER A PERUVIAN MISSION VISITED MOSCOW IN MARCH.

THE CURRENT DISTURBANCES IN PERU ERUPTED AFTER THE GOVERNMENT AUTHORIZED LARGE PRICE INCREASES FOR GASOLINE, WHEAT PRODUCTS, MILK AND COOKING OIL, WHICH HAVE BEEN SUBSIDIZED TO PROTECT LOW-INCOME CONSUMERS. THIS HIGHLY UNPOPULAR MEASURE WAS TAKEN BY THE PERUVIAN GOVERNMENT AFTER THE INTERNATIONAL MONETARY FUND AND FOREIGN BANKS REFUSED TO REFINANCE THIS YEAR'S ONE THOUSAND MILLION DOLLAR DEBT PAYMENT UNLESS THE GOVERNMENT ADOPTED MEASURES TO REDUCE ITS DEFICIT AND INCREASE EXPORTS.

SPEAKING ON TELEVISION LAST WEEK, PERUVIAN PRESIDENT MORALES BERMUDEZ SAID THE DRASTIC PRICE INCREASES, COUPLED WITH OTHER STEPS TO FREE EXCHANGE RATES, RAISE TAXES AND REDUCE GOVERNMENT SPENDING, SHOULD MAKE PERU ELIGIBLE FOR INTERNATIONAL FINANCIAL HELP. ALLUDING TO PERU'S 1968 POPULIST MILITARY TAKEOVER, PRESIDENT BERMUDEZ RECALLED THAT THE COUNTRY'S ECONOMIC SYSTEM WAS SUPPOSED TO BE NEIGHTER CAPITALIST NOR COMMUNIST. BUT IN PRACTICE, HE SAID, "THIS HAS DIVIDED THE COUNTRY, AND WE MUST BE REALISTS. IT IS TIME TO LEAVE POTENTIAL THEORIES ASIDE AND RECOGNIZE THAT WE MUST STIMULATE PRIVATE INVESTMENT."

A NEW TEAM OF PERUVIAN FINANCIAL NEGOTIATORS IS EXPECTED TO RESUME TALKS IN NEW YORK THIS WEEK ON RESCHEDULING PERU'S FOREIGN DEBT IN AN ATTEMPT TO AVOID THE COUNTRY'S IMMINENT DEFAULT.

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